

NATIONAL HEES ENTERPRISES LIMITED

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Annual Report 1979



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Notice of Annual Meeting

The Annual Meeting of Shareholders of National Hees Enterprises Limited will be held in the Boardroom, Suite 3400, Royal Bank Plaza, Toronto, Ontario on June 25, 1980 at 11:00 a.m. The formal notice of the Annual Meeting is on page 11 of this report.

Directors and Officers

Directors

A.C. BEUTEL
President, Beutel Goodman & Company Ltd.
Toronto

E.M. BRONFMAN
Chairman, Edper Investments Ltd.
Toronto

J.L. COCKWELL
Senior Vice-President Planning
Brascan Limited
Toronto

J.T. EYTON
President & Chief Executive Officer
Brascan Limited
Toronto

A.T. HOLLAND
President, Candeco Limited
Toronto

D.W. KERR
Vice-President, & Treasurer
Edper Investments Ltd.
Toronto

T.R. PRICE
President, Mico Enterprises Ltd.
Toronto

Officers

E.M. BRONFMAN
Chairman
Toronto

J.T. EYTON
President
Toronto

D.W. KERR
Vice-President & Treasurer
Toronto

T.R. PRICE
Secretary
Toronto

Head Office

Suite 3601, P.O. Box 93
Royal Bank Plaza
Toronto, Ontario
M5J 2J2

Shares Listed

Toronto Stock Exchange
Symbol — NLH

Transfer Agent and Registrar

Canada Permanent Trust Company
20 Eglinton Avenue West,
Toronto

Record of Progress

	1979	1978	1977	1976	1975
Total Assets	\$24,761,200	\$22,078,600	\$18,760,500	\$18,438,800	\$17,616,800
Shareholders' Equity	\$10,985,100	\$10,378,100	\$ 7,174,500	\$ 6,690,000	\$ 6,283,200
Gross Income	\$ 4,214,500	\$ 3,203,700	\$ 3,092,700	\$ 2,978,900	\$ 2,543,300
Earnings	\$ 984,900	\$ 903,100*	\$ 801,500	\$ 708,600	\$ 564,800
Equity per Share	\$ 5.24	\$ 4.84	\$ 2.74	\$ 2.42	\$ 2.15
Earnings per Share	53 cents	48 cents*	41 cents	35 cents	31 cents
Dividends per Share	13 cents	10 cents	9 cents	8 cents	5 cents

* Excludes extraordinary gain of \$2,632,700 or \$1.73 per share.

Report to the Shareholders

The record of progress and supporting financial statements indicate that the company's earnings growth has continued at a satisfactory level. Earnings for the year were \$984,900 up from \$903,100 in the previous year excluding last year's extraordinary gain of \$2,632,700. Earnings per share increased to 53 cents from 48 cents in the previous year excluding the extraordinary item of \$1.73 per share.

On April 9, 1980 a dividend of 16 cents per share was declared payable June 30, 1980 to common shareholders of record June 15, 1980. The dividend paid to common shareholders in 1979 was 13 cents per share.

During the year, your company acquired additional shares of Carena-Bancorp Holdings Inc. through private agreements and currently holds a 25% voting interest.

On May 22, 1980 the Corporation announced that it would make an offer to purchase all of the outstanding common and Class A preference shares of Mico Enterprises Limited in consideration for common shares of the Corporation on the basis of one and one-half common shares of the Corporation for every common or preference share tendered.

Mico Enterprises Limited is a financial services company providing corporate financing and merchant banking facilities to affiliate and other client companies. Like National Hees Enterprises Ltd., it is a subsidiary of Edper Investments Ltd. In making this offer, the Corporation hopes that Mico Enterprises Limited will become a wholly owned subsidiary of the Corporation and that rationalization of the businesses of the Corporation and Mico will lead to efficiencies and resulting benefits to shareholders.



Chairman

National Hees Enterprises Limited

Consolidated
Statement
of Earnings
For the year ended
December 31, 1979

	INCOME	1979	1978
Leasing income	\$ 1,682,400	\$ 1,647,800	
Interest and investment income	336,300	200,000	
Income on investments in affiliated companies	2,195,800	1,355,900	
	4,214,500	3,203,700	
EXPENSES			
Operating expense (note 8)	2,364,600	1,455,700	
Depreciation	788,300	788,300	
Minority interest	10,000	36,300	
Income taxes (note 9)	66,700	20,300	
	3,229,600	2,300,600	
NET EARNINGS BEFORE EXTRAORDINARY GAIN	984,900	903,100	
Extraordinary items (note 10)	—	2,632,700	
NET EARNINGS FOR THE YEAR	\$ 984,900	\$ 3,535,800	
EARNINGS PER SHARE BEFORE EXTRAORDINARY GAIN	53 cents	48 cents	
EARNINGS PER SHARE	53 cents	\$2.21	

Consolidated
Statement
of Retained Earnings
For the year ended
December 31, 1979

	RETAINED EARNINGS	1979	1978
Beginning of year	\$ 5,285,000	\$ 2,081,400	
NET EARNINGS			
For the year	984,900	3,535,800	
	6,269,900	5,617,200	
DIVIDENDS PAID			
Preference shares	180,000	180,000	
Common shares	197,900	152,200	
RETAINED EARNINGS			
End of the year	\$ 5,892,000	\$ 5,285,000	

The accompanying notes are an integral part of the financial statements.

National Hees Enterprises Limited

Consolidated
Balance Sheet at
December 31, 1979

ASSETS	1979	1978
Accounts and loans receivable	\$ 1,527,200	\$ 1,711,600
Investment in Carena-Bancorp Holdings Inc. (note 2)	12,829,600	9,577,700
Other corporate investments, at cost (note 3)	7,995,800	8,368,100
Property and equipment (note 4)	2,408,600	2,421,200
	\$24,761,200	\$22,078,600
LIABILITIES		
Bank loans	\$ 2,832,200	\$ 350,400
Loans payable (note 5)	5,939,500	1,677,300
Income debentures (note 6)	4,000,000	9,000,000
Accounts payable	647,300	336,500
Deferred income taxes	202,100	191,300
Minority interest	155,000	145,000
	13,776,100	11,700,500
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	5,093,100	5,093,100
Retained earnings	5,892,000	5,285,000
	10,985,100	10,378,100
	\$24,761,200	\$22,078,600

On behalf of the board:

A.T. Halland.

Director

D. W. Ken

Director

The accompanying notes are an integral part of the financial statements.

National Hees Enterprises Limited

**Consolidated
Statement
of Changes
in Financial Position
For the year ended
December 31, 1979**

FUNDS PROVIDED	1979	1978
Funds provided by operations before extraordinary items	\$ 1,263,600	\$ 3,269,200
Disposal of investments	5,413,400	—
Repayment of loans receivable	788,600	300,600
Equipment loans and other borrowings	4,268,400	5,039,600
Disposal of property and equipment	899,300	540,500
Funds obtained from other assets and liabilities	479,800	49,000
Increase in bank loans	2,481,800	—
	\$15,594,900	\$ 9,198,900
FUNDS APPLIED		
Loans and investments acquired	\$ 8,535,800	\$ 2,505,800
Purchase of equipment	1,675,000	1,307,100
Repayment of loans payable	5,006,200	2,954,300
Dividends paid	377,900	332,200
Decrease in bank loans	—	2,099,500
	\$15,594,900	\$ 9,198,900

The accompanying notes are an integral part of the financial statements.

National Hees Enterprises Limited

**Notes to
Consolidated
Financial Statements
December 31, 1979**

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the accounts of all wholly-owned subsidiaries and of Halco Leasing Limited, a 51% owned company. The investment in Carena-Bancorp Holdings Inc., an affiliated company, is accounted for using the equity method.

Depreciation: Depreciation on equipment under lease is based on cost less estimated salvage value and is computed on the straight line method over the terms of the lease. Depreciation on other property is computed on the straight line method at the rate of 5%.

Income Taxes: Income taxes are accounted for on the tax allocation basis. Accumulated deferred income taxes arise as a result of the difference between depreciation claimed for income tax purposes and that recorded in the financial statements.

2. INVESTMENT IN CARENA-BANCORP HOLDINGS INC.

The investment in Carena-Bancorp Holdings Inc. represents a 25% (1978 — 22%) voting interest comprising common and preferred shares. The company's equity in the earnings of Carena-Bancorp Holdings Inc. for the year amounts to \$927,300 (1978 — \$3,859,200 which included an extraordinary gain of \$3,048,400. See Note 10). Dividends received during the year amounted to \$396,900 (1978 — \$2,285,100 which included \$1,993,700 in the form of preferred shares).

3. OTHER CORPORATE INVESTMENTS

Other corporate investments include \$8,041,100 of preferred shares and advances to affiliated companies (1978 — \$8,000,000).

4. PROPERTY AND EQUIPMENT

	1979	1978
Equipment under lease, at cost	\$3,594,000	\$3,258,100
Other property, at cost	12,900	399,600
	<u>3,606,900</u>	<u>3,657,700</u>
Accumulated depreciation	1,198,300	1,236,500
	<u>\$2,408,600</u>	<u>\$2,421,200</u>

5. LOANS PAYABLE

	1979	1978
Unsecured loans from the company's parent, currently bearing interest at the prime bank rate with no fixed maturity	\$4,381,300	\$ 112,900
Loans secured by liens on specific equipment and lease agreements, bearing interest at rates ranging from 10% to 16 1/2% per annum and repayable evenly over the period of the lease agreements with the latest maturity being December 15, 1982	1,528,600	1,534,700
Other loans payable	29,600	29,700
	<u>\$5,939,500</u>	<u>\$1,677,300</u>
Portion due or callable within one year	<u>\$5,087,200</u>	<u>\$ 836,900</u>

6. INCOME DEBENTURES

	1979	1978
Income debenture, payable to a Canadian chartered bank due in 1979	\$ —	\$5,000,000
Income debenture, payable to an affiliated company, due January 1, 1983, bearing interest at 11 1/2% over one half the bank prime rate	4,000,000	4,000,000
	<u>\$4,000,000</u>	<u>\$9,000,000</u>

National Hees Enterprises Limited

Notes to
Consolidated
Financial Statements
December 31, 1979

7. CAPITAL STOCK

	Authorized	Issued	Paid-Up
Preference shares, non-voting, par value \$10 issuable in series, issued as 6% non-cumulative series "A" preference shares, redeemable at par	800,000	300,000	\$3,000,000
Common shares without par value	2,000,000	1,522,460	2,093,100
			<u>\$5,093,100</u>

8. INTEREST EXPENSE

	1979	1978
Included in operating expenses are the following charges:		
Interest on income debentures	\$ 315,400	\$ 396,400
Interest on other debt maturing more than one year from the date of issuance thereof	175,500	166,100
Other interest	898,000	278,100

To the Shareholders of
National Hees Enterprises Limited:

We have examined the consolidated balance sheet of National Hees Enterprises Limited as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances; as to the investment in Carena-Bancorp Holdings Inc., accounted for by the equity method, we have relied on the report of the auditors who examined its financial statements for the year ended June 30, 1979 and in addition, have carried out such audit procedures with respect to the six months ended December 31, 1979 as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 27, 1980

9. INCOME TAXES

Income taxes have been reduced on account of dividend income and other permanent income and expense timing differences between accounting income and income for tax purposes.

Losses available to reduce future income for tax purposes aggregate approximately \$865,700. The availability of the losses expires over the years 1980 through 1983.

10. EXTRAORDINARY ITEMS

The extraordinary items reported in 1978 comprise the company's share of the gain realized by Carena-Bancorp Inc. on the sale of its investment in Club de Hockey Canadien Inc. less \$415,700 of organization and goodwill expense written off.

Deloitte Haskins & Sells
Deloitte Haskins & Sells
Chartered Accountants

Group of Companies

NATIONAL HEES ENTERPRISES LIMITED
Holding and management company.

NHE HOLDINGS LIMITED
Corporate financing.

HALCO LEASING LIMITED
Equipment leasing.

HECO SECURITIES LIMITED
Investment management.

McGREGOR-PINE ESTATES LTD.
Real estate investment.

CARENA-BANCORP INC.
Finance and investment.

Notice of Annual and General Meeting of Shareholders

The Annual and General Meeting of the shareholders of National Hees Enterprises Limited will be held in the Boardroom, Suite 3400, Royal Bank Plaza, Toronto, Ontario on Wednesday, June 25, 1980, at 11:00 a.m. (Toronto time).

The purposes of the meeting are to receive and consider, and if thought fit, to approve the Annual Report of the directors and the consolidated financial statements of the Corporation for the year ended December 31, 1979 together with the report of the auditors, to appoint auditors, to confirm a Special Resolution of the company passed by the directors on May 21, 1980 authorizing an amendment to the articles of the Corporation to provide for cumulative voting in the election of directors, to confirm with or without variation, Special By-Law No. 4 being a by-law increasing the Board of Directors to 12 persons and to elect directors.

In addition, shareholders will be asked to consider and, if thought fit, to confirm, with or without variation, a Special Resolution of the Corporation passed by the directors on May 21, 1980 authorizing an amendment to the articles of the Corporation to increase the authorized capital of the Corporation by increasing the number of common shares from 2,000,000 to 20,000,000 shares and by increasing the number of preference shares from 800,000 to 5,000,000 shares. This special resolution will also authorize the removal of the limitation presently contained in the articles of the Corporation as to the maximum consideration for which the common shares of the Corporation may be issued.

Any other business which may properly come before the meeting will also be considered and acted upon.

The directors hope that you will find it convenient to attend the meeting, after which you are cordially invited to join the directors and officers for refreshments. However, if you are

unable to be personally present, kindly fill in, date, sign and return the proxy enclosed with the annual report in the envelope provided for that purpose.

By Order of the Board of Directors

Tim Price
Secretary

Toronto, May 22, 1980.

NOTE: Shareholders who are unable to attend the meeting in person are requested to fill in, date and sign the accompanying proxy instrument and to return it in the envelope provided for that purpose to the Secretary of the Corporation, c/o Canada Permanent Trust Company, 20 Eglinton Avenue West, Toronto, Ontario.

Information Circular at May 22, 1980

SOLICITATION OF PROXIES

THIS INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY THE MANAGEMENT OF NATIONAL HEES ENTERPRISES LIMITED (THE "CORPORATION") of proxies for use at the annual and general meeting of shareholders of the Corporation to be held at the time and place and for the purposes set forth in the foregoing notice of meeting. The costs of the solicitation by management will be borne by the Corporation.

PROXIES AND VOTING

Shareholders unable to attend the meeting are requested to complete, sign and return the accompanying form of proxy. Proxies deposited with the Secretary of the Corporation at any time up to the opening of the meeting may be voted if otherwise valid, and if in favour of the persons designated in the printed portion of the accompanying form of proxy WILL BE VOTED (OR WITHHELD FROM VOTING) IN ACCORDANCE WITH THE SPECIFICATIONS OF THE SHAREHOLDER SUBMITTING THE SAME.

In the absence of any contrary specifications on the form of proxy, the shares represented by properly executed proxies in favour of the persons designated in the printed portion of the accompanying form of proxy WILL BE VOTED FOR THE APPROVAL OF THE ANNUAL REPORT, FOR THE ELECTION OF DIRECTORS, THE APPOINTMENT OF AUDITORS, SPECIAL BY-LAW 4, CUMULATIVE VOTING AND THE INCREASE IN CAPITAL AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR. The accompanying form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting or other matters which may properly come before the meeting. Management knows of no such amendments, variations or other matters to come before the meeting.

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER OF THE CORPORATION) TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE PRINTED PORTION OF THE ENCLOSED FORM OF PROXY. TO EXERCISE THIS RIGHT THE SHAREHOLDER SHOULD STRIKE OUT THE PRINTED NAMES AND INSERT THE NAME OF HIS NOMINEE IN THE PLACE PROVIDED.

REVOCABILITY OF PROXIES

A shareholder giving a proxy may revoke the proxy by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used, or at any time before the proxy is acted upon with the chairman of the meeting on the day of the meeting or adjournment thereof.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As at May 22, 1980 the number of issued and outstanding shares of the Corporation entitled to vote at the meeting is 1,522,460 common shares without nominal or par value (the "common shares"). Each common share entitles the holder of record, as of the date of the meeting, to one vote on all matters to come before the meeting.

To the knowledge of the directors and officers of the Corporation, the following are the only persons or corporations who beneficially own or exercise control or direction over shares carrying more than 10% of the votes attached to shares of the Corporation:

Name of Shareholder	Approximate Number of Common Shares Beneficially Owned	Percentage of Outstanding Voting Shares
Edper Investments Ltd.	1,193,413	78%

Edward M. Bronfman, a director of the Corporation, and his children through a trust have a 50% indirect interest in Edper Investments Ltd.

INCREASE IN BOARD OF DIRECTORS — SPECIAL BY-LAW 4

The board of directors of the Corporation now consists of 7 members. By Special By-law 4, enacted by the directors on May 21, 1980, a copy of which accompanies this circular as Exhibit A the number of directors was increased to 12 persons. To be acted upon, By-law 4 requires the approval of at least two-thirds of the votes cast at the annual and general meeting.

It is proposed that the five newly created vacancies on the board of directors of the Corporation be filled by appointing persons from the current board of directors of Mico Enterprises Limited.

ELECTION OF DIRECTORS

Special By-law 4 of the Corporation, if approved by the shareholders will increase the Board to 12 directors. Accordingly, subject to such approval, it is proposed to elect 12 directors. Each director elected at the meeting will hold office until the next annual meeting, or until his successor is elected, unless his office is vacated earlier in accordance with the by-laws of the Corporation.

The persons named below are proposed to be nominated for election as directors. Unless such authority is withheld, the persons named in the accompanying proxy intend to vote for the election of such persons as directors. However, if any of the proposed nominees are unable to serve, the shares will be voted for other nominees in the discretion of the persons named in the proxy.

The following are the names of such proposed nominees, all other major positions and offices (if any) with the Corporation now held by them, their principal occupations or employments, the years in which they were first elected as directors of the Corporation, and the approximate number of shares of the Corporation, beneficially owned by them.

Names of Nominees, offices held in the Corporation and principal occupations or employments	Year first Elected a Director	Approximate number of shares of the Corporation beneficially owned
EDWARD M. BRONFMAN Chairman of the Corporation, Chairman — Edper Investments Ltd. (investment holding)	1970	Qualifying shares only
AUSTIN C. BEUTEL (1) President — Beutel Goodman & Co. Ltd. (investment counsel)	1971	7,874 common shares
JACK L. COCKWELL (1) Senior Vice-President, Planning, Brascan Limited (investment holding)	1970	61,266 common shares
MACHIEL A. CORNELISSEN Senior Vice-President, Finance and Administration — Trizec Corporation Ltd. (real estate investment)	—	Qualifying shares only
D. TERENCE DINGLE President and Chief Executive Officer — Shawinigan Consultants International Limited (consulting engineering)	—	Qualifying shares only

Names of Nominees, offices held in the Corporation and principal occupations or employments	Year first Elected a Director	Approximate number of shares of the Corporation beneficially owned
J. TREVOR EYTON President of the Corporation, President and Chief Executive Officer, Brascan Limited (investment holding)	1970	21,666 common shares
RONALD K. FRASER President — Ronyx Corporation (manufacturing)	—	Qualifying shares only
ROGER D. GARON President — Aronelle Textiles Ltd. (textiles)	—	Qualifying shares only
ALFRED T. HOLLAND (1) President — Candeco Limited (investment and management)	1970	73,608 common shares
DAVID W. KERR Vice-President of the Corporation, Vice-President & Treasurer Edper Investments Ltd. (investment holding)	1978	23,400 common shares
J. D. H. MACKENZIE President — Elgistan Management Ltd. (investment)	—	Qualifying shares only
TIM PRICE Secretary of the Corporation, President — Mico Enterprises Limited (merchant banking and corporate finance)	1970	33,100 common shares

Note (1) Member of the Audit Committee of the Board of Directors.

Each of the proposed nominees have had the principal occupation noted above for the past five years except for Mr. Jack L. Cockwell whose principal occupation was Executive Vice-President of Edper Investments Ltd. prior to September 1979, Mr. Machiel A. Cornelissen who was Vice-President of Edper Investments Ltd. from April to August 1976 and Chief Financial Officer of Rennies Consolidated Holdings Ltd. prior to April 1976, Mr. D. Terence Dingle who was a partner of Courtois, Clarkson, Parsons & Tetrault prior to April 1980 and Mr. J. Trevor Eyton who was a partner of Tory Tory DesLauriers and Binnington prior to September 1979.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the financial year ended December 31, 1979 no remuneration was paid by the Corporation or its subsidiaries to the directors or senior officers of the Corporation, and there was no cost to the Corporation or its subsidiaries of any benefits proposed to be paid under any pension or retirement plan to the directors or officers of the Corporation.

APPOINTMENT OF AUDITORS

Unless such authority is withheld, the persons named in the printed portion of the accompanying proxy intend to vote for the appointment of Touche Ross & Co., Chartered Accountants as auditors of the Company at a remuneration to be fixed by the board of directors.

CUMULATIVE VOTING

It is considered desirable to provide for cumulative voting by shareholders for the election of directors. Cumulative voting permits a shareholder entitled to vote for the election of directors to cast

all the votes represented by his shares multiplied by the number of directors to be elected in favour of one or more nominees for election as a director and thus may provide a more effective voice to shareholders in the matter of the election of directors.

A Special Resolution was enacted by the directors on May 21, 1980 providing for an amendment to the articles of the Corporation to provide for cumulative voting. A copy of the Special Resolution accompanies this circular as Exhibit B. To be acted upon the Special Resolution requires the approval of at least two-thirds of the votes cast at the general meeting. If the Special Resolution is approved by the shareholders, cumulative voting will be implemented at the next annual meeting of shareholders.

INCREASE IN CAPITAL

The Shareholders of the Corporation will be asked to consider and, if thought fit, to confirm a Special Resolution, a copy of which accompanies this circular as Exhibit C increasing the authorized capital of the Corporation. In order to be effective, the Special Resolution must be passed by two-thirds of the votes cast at the annual and general meeting.

The Special Resolution provides for an increase in the number of authorized common shares of the Corporation from 2,000,000 to 20,000,000 and for an increase in the number of authorized preference shares of the Corporation from 800,000 to 5,000,000. It also removes the limitation presently contained in the articles of the Corporation on the maximum consideration for which the common shares of the Corporation may be issued. The preference shares are issuable in series, each series to consist of the number of shares determined by the directors. The characteristics of each series, such as dividend rate, redemption terms and any conversion rights, are to be fixed by the directors.

On May 22, 1980 the Corporation announced that it would make an offer to purchase all of the outstanding common and Class A preference shares (the "Shares") of Mico Enterprises Limited ("Mico") in consideration for common shares of the Corporation on the basis of one and one-half common shares of the Corporation for every Share tendered.

Mico is a financial services company providing corporate financing and merchant banking facilities to affiliate and other client companies. Like National Hees Enterprises Limited, it is a subsidiary of Edper Investments Ltd. In making this offer, the Corporation intends that Mico will become a wholly owned subsidiary of the Corporation and that rationalization of the businesses of the Corporation and Mico will lead to efficiencies and resulting benefits to shareholders.

The increase in the authorized common share capital is necessary in order that the Corporation will have sufficient shares available for the proposed purchase of Shares of Mico and to provide flexibility with respect to future acquisitions and other corporate needs.

GENERAL

A simple majority of votes is required for the approval which will be sought at the meeting of the Annual Report of the directors and the consolidated financial statements of the Corporation for the year ended December 31, 1979.

The information contained in this information circular is given as of the 22nd day of May, 1980. The management of the Corporation knows of no matter to come before the meeting other than the matters referred to in the notice of the meeting.

By Order of the Board

Tim Price
Secretary

Dated May 22, 1980

EXHIBIT A
SPECIAL BY-LAW NO. 4

a by-law increasing the number of directors of the Corporation

BE IT ENACTED as a special by-law of the Corporation as follows:

1. The number of directors of the Corporation is hereby increased from seven (7) to twelve (12) so that the board of directors of the Corporation shall hereafter be composed of twelve (12) directors, of whom three (3) shall constitute a quorum.
2. All prior by-laws, resolution and proceedings of the Corporation inconsistent herewith are hereby amended, modified and revised in order to give effect to this by-law.

EXHIBIT B
SPECIAL RESOLUTION

to provide for cumulative voting for the election of directors

RESOLVED by way of Special Resolution that:

1. The articles of the Corporation be amended to provide that every shareholder of the Corporation entitled to vote at an election of directors has the right to cast thereat a number of votes equal to the number of votes attached to the shares held by him multiplied by the number of directors to be elected, and he may cast all such votes in favour of one candidate or distribute them among the candidates in such manner as he sees fit, and where he has voted for more than one candidate without specifying the distribution of his votes among such candidates, he shall be deemed to have divided his votes equally among the candidates for whom he voted.
2. The directors and proper officers of the Corporation be and are hereby authorized to execute such documents, including Articles of Amendment, and to take such other action as they consider necessary or desirable to implement this resolution.

EXHIBIT C
SPECIAL RESOLUTION

RESOLVED by way of Special Resolution that:

1. The articles of the Corporation be amended to:
 - (i) increase its authorized capital by increasing the number of authorized common shares without par value ("Common Shares") of the Corporation from 2,000,000 to 20,000,000;
 - (ii) increase its authorized capital by increasing the number of authorized preference shares with a par value of \$10 each ("Preference Shares") of the Corporation from 800,000 to 5,000,000;
 - (iii) declare that the authorized capital of the Corporation, after giving effect to the foregoing, will consist of 5,000,000 Preference Shares and 20,000,000 Common Shares.
 - (iv) remove the limitation contained in the articles of the Corporation on the maximum consideration for which the common shares of the Corporation may be issued.
2. The directors and proper officers of the Corporation be and are hereby authorized to execute such documents, including Articles of Amendment, and to take such other action as they consider necessary or desirable to implement this resolution.

